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76-4848

OMB Waiver Letter In ERU File

28 SEP 1976

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File 04M

MEMORANDUM FOR: Deputy Director for Administration

SUBJECT: Presidential Management Initiatives

1. I would like to ask that the Chief, Management and Assessment Staff, serve as focal point for the Agency's response to one of the specific requirements included within the Presidential Management Initiatives. On page 2 of the enclosure to the attached letter of 16 September 1976, OMB asks us to forward an Agency plan for achieving travel savings in FY 1977 and FY 1978.

2. The Agency plan should describe our upcoming efforts to achieve a high degree of efficiency in travel costs and to eliminate waste from our activities; it does not have to show a reduction of travel costs. Bear in mind that the plan we submit now may be the base against which we will have to report to OMB in November 1977 on our 1977 travel costs. We should forward the plan to OMB no later than 21 October and will need the input from you no later than 15 October.

3. The September letter also gives us the go-ahead on reporting required by OMB Bulletin No. 76-9, which we had been told last May by our OMB examiner might not be required. Details of the reporting required are contained in Supplement No. 2 of the OMB Bulletin. Exhibit 1 we understand to be due to OMB no later than November 1977. The report should treat 1978 like 1977--including dollar figures budgeted and planned ways of applying the methods included in the Bulletin. My staff can provide the total Agency figures you will need. STATINTL

4. Any further guidance on this subject can be provided by [REDACTED] on my staff.

STATINTL

[REDACTED]
James H. Taylor
Comptroller

Attachment:
As stated

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EXECUTIVE OFFICE OF THE PRESIDENT

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WASHINGTON, D.C. 20503

SEP 13 1976

Mr. James H. Taylor
Comptroller
Central Intelligence Agency
Washington, D. C. 20505

Dear Jim:

This is in response to the Central Intelligence Agency's August 24, 1976 submission as part of the Presidential Management Initiatives effort (PMI). I would like to take this opportunity to provide you with OMB's observations and to share with you my views on the Agency's continued participation in this effort.

On the whole, I am pleased with the Agency's response and commend you on the progress the organization is making in many management improvement areas. However, I do believe that further effort is needed and that the next PMI submission should emphasize specific actions and results. The attachment contains comments on the Agency's response to the various PMI subject areas and suggests the manner in which follow-up should take place.

There are some PMI areas which I feel should also be addressed by the larger intelligence community. Therefore, while the Central Intelligence Agency will continue to be regarded as a full participant in the PMI effort, my staff will be contacting the Intelligence Community Staff about how it should become involved.

I do want to stress that both the President and the Office of Management and Budget regard this effort very seriously. Your continued interest and support are appreciated.

Sincerely yours,

Donald G. Ogilvie
Associate Director

STATINTL

Enclosure

cc: [REDACTED] Intelligence Community Staff

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NO FORN DISSEM

Central Intelligence Agency

1. Decisionmaking and Departmental Organization

I. Policy Analysis Staff

Response satisfactory. Follow-up by OMB budget examiner as part of FY 1978 budget review.

II. MBO Program

FY 1977 and FY 1978 Agency MBO's are requested as soon as possible to be reviewed by the OMB budget examiner in conjunction with the FY 1978 budget review. OMB review of intelligence community objectives will be pursued with the IC Staff.

III. Decisionmaking

Timetable in report is acceptable.

IV. Organizational Review

Personnel inventory discussed in 5. III does not specify milestones or timetable for review of layering and excessive subdivision. By October 21, a revised plan should be submitted to include these omissions and greater detail on plans to consolidate sub-units and to develop guidelines for "assistant to" positions. A statement identifying review criteria for the personnel inventory is also requested. The IC Staff will be asked to develop an organizational review plan.

2. Evaluation of Current Programs

I. Policy and Evaluation Unit

Response satisfactory. Follow-up by OMB budget examiner as part of FY 1978 budget review.

II. Efficiency Evaluations

Evaluation plans and timetables are generally acceptable. Specific comments regarding the ADP efficiency evaluations will be communicated separately by the OMB budget examiner. Identification of additional areas to be reviewed will be explored by OMB budget examiner during FY 1978 budget review and in discussions with the IC Staff.

III. Management Plans

OMB guidance will be forthcoming.

3. Reduction in the Burden of Federal Reporting and Regulation

No action required.

4. Contracting Out and Holding Down Overhead Costs

I. Contracting Out

-This has been identified as an emphasis area and will be pursued by the OMB budget examiner during the FY 1978 budget review and in accordance with OMB Circular A-76. IC Staff involvement will be pursued.

II. Overhead Costs

Detail is requested on the organizational location and modus operandi of existing agency systems for determining and analyzing overhead costs. Report requested by October 21.

By September 21, agency compliance with OMB Bulletin 76-9 is requested. This response to OMB should include plans for achieving travel savings in FY 1977 and FY 1978.

ADP practices have been identified as an emphasis area. Plans for improving management of ADP resources will be submitted on September 21. Supplemental guidance is attached.

No action required on cash management or mailing practices. Report acceptable on reproduction equipment. Possible further review of audio-visual activities will be explored by the OMB budget examiner.

By October 21, submit plan to OMB on proposed steps to achieve savings in telephone equipment and usage.

Space utilization and records storage will be reviewed by the OMB budget examiner during the FY 1978 budget review.

NOTE: Further guidance from OMB on mailing practices, reproduction equipment, telephone equipment and usage, space utilization and records storage will be forthcoming. This may involve information requirements for the October 21 monthly progress report.

5. Personnel Management

I. Executive Selection and Development

Report acceptable. Subject will be pursued by the OMB budget examiner as appropriate.

II. Work Force Quality

Report plan and timetable acceptable.

III. Position and Classification Management

As indicated in item 2.IV., a statement identifying review criteria for the personnel inventory is requested. Civil Service Commission Bulletin No. 250-7 should be carefully reviewed as these criteria are developed. Report plan and timetable acceptable. This has been identified as an emphasis area and will be addressed by the OMB budget examiner during the FY 1978 budget review. In addition, it will be discussed with the IC Staff.

IV. Productivity Measurement

Report not entirely responsive to PMI. By October 21, a progress report is requested. This report should also address the application of productivity measures in supporting staffing and budget requirements and for purposes of management evaluation and control. This area will be pursued by the OMB budget examiner during the FY 1978 budget review.

V. Employment Ceilings

Report acceptable. No further action required at this time.

I. INTRODUCTION

The primary objective of the ADP initiative was to encourage activities which will reduce costs and address specific problem areas; it was not meant to stimulate the expansion of current ADP activities. However, the inclusion of initiatives where substantive benefits can be realized through further investment is not precluded. If an activity is identified for which capital investments are required to realize significant benefits the proposal should include a full evaluation of the alternatives, the costs and benefits, and the funding requirements for each alternative. If this information is not available at this time the submission should include the date by which such an evaluation will be completed.

All activities submitted, whether or not they require additional capital investment, should meet the following criteria:

- ° Include only those items for which tangible and measurable cost reductions or other benefits can be demonstrated.
- ° Include only those items where significant cost reductions or benefits can be identified which are deserving of Presidential attention.
- ° Identify the means by which cost reductions and benefits will be measured.
- ° Include an assessment of the budgetary impact and requirements of any proposals which involve FY 77 outlays beyond those in current budget guidance, or involve FY 78 subsequent resource decisions. Any initiative which recommends the expenditure of funds which have not been previously approved shall allow for the orderly evaluation of such proposal in the normal budget process.
- ° A plan, outlining the agency's approach including key milestones and the dates by when they will be completed, should be developed for each of the six ADP practices suggested. If an agency does not believe it can realize benefits in one or more of the six areas, a negative report outlining the reasons why should be submitted in lieu of the plan.

II. COST REDUCTION INITIATIVES

The first three of the six PMI's were aimed primarily at reducing cost. Examples of activities which can be undertaken to achieve cost reductions or other benefits are identified for each. In no way is this meant to be a comprehensive list of possible actions.

A. Reducing the unit cost of data processing - Consider items such as but not limited to the following:

- Establishing targets for increasing reimbursable sharing of any excess capacity.
- Assure that all computer support performed for users outside of the agency is done on an appropriate cost reimbursable basis.
- Reducing hours of operation to those required to meet cost justifiable workload levels.
- Eliminating marginally used equipment by relying on other agencies or the private sector for such specialized services.
- Improve operational efficiency of existing systems or applications.
- Shift workload to other computer systems when such applications can be processed more efficiently on other systems.
- Consider consolidation of operations.
- Measure the amount of ADP resources required per application or system and allocate resources on the basis of value received.
- Reevaluate previous lease vs purchase determinations.
- Increase workload volume without increasing ADP resources.

B. Eliminate nonessential or marginal workload - Consider items such as but not limited to the following:

- Establish a plan for evaluating the cost/benefits and need for all existing applications.
- Evaluate the adequacy of existing processes for justifying new applications.
- Establish a certification program for ADP systems and applications.

C. Reduce equipment rental through increased competition - Consider items such as but not limited to the following:

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- ° Where leased hardware is available from third party sources and such leases have not opened to competition within the last 12 months, develop specific plans for recompeting such leases.

- ° Where "plug to plug" compatible equipment is available from sources other than the original equipment manufacturer -- and the agencies have not taken advantage of lower rental rates generally available through such sources -- specific timetables should be established for evaluating cost reduction possible by use of such "plug to plug" compatible equipment.

- ° Make greater use of broader performance specifications to expand opportunities for greater competition.

- ° Consolidate procurement requirements within the agency - particularly for terminals and minis.

III. MANAGEMENT IMPROVEMENT INITIATIVES

The last three ADP PMI's are intended to stimulate activities that will improve the management of ADP resources. While the primary emphasis of the cost reduction initiatives was on economy, these initiatives stress efficiency and effectiveness. Agency actions in this area should be designed to achieve objectives such as maximizing alternatives in the planning process and minimizing operational errors.

A. Analyze the need and methods used for expanding Government computer capacity - Consider items such as but not limited to the following:

- ° Strengthen planning processes.
- ° Assure that alternative approaches for meeting needs are objectively evaluated.
- ° Make greater use of surplus capacity available from other agencies.
- ° Establish time table for A-76 evaluation.

B. Minimize the automatic computer issuance of inaccurate or unnecessary checks and purchase orders - Consider items such as but not limited to the following:

- ° Review and evaluate all applications, procedures, criteria and programs.
- ° Establish more rigid criteria and control procedures.

- Establish system of cross checks and balances.
- Establish audit and measurement procedures.
- Establish systems design criteria to minimize errors.
- Develop standards for system design and operation.

C. Strengthen agency ADP management to overcome problems of computer fraud and security - Consider items such as but not limited to the following:

- Establish timetable for independent review of the adequacy of current security procedures for each installation.
- Establish procedures for spot checks of processes and facilities by independent reviewers.
- Audit processes to guard against fraud.
- Develop security guidelines and procedures to safeguard systems.
- Review internal control procedures for each system identified that may be susceptible to computer related crime.
- Establish a security office with operational responsibility to safeguard systems and facilities.
- Establish a monitoring system to remain cognizant of possible problems.